Weekly Economic Review

Uptick in resale housing activity and prices

Resale Housing

Prices rise as market conditions stabilize

Resale activity looks to be stabilizing, with modest improvement in most regions. There were 4,500 existing home sales across Alberta in July (Chart 1), up 0.8% month-over-month (m/m). Existing home sales in Fort McMurray picked up markedly after plummeting during wildfires, with the number of sales in July at the highest level since December 2014. Along with the uptick in sales, the number of new listings across Alberta surged 6.9% m/m. The jump in listings outweighed the more modest uptick in sales, pushing the sales-to-new listings ratio down three percentage point to 49.8%. With the market becoming increasingly stable – albeit at the lowest level since late-2011 - the average resale price jumped by 3.5% m/m to $402,724, the highest price since November 2014.

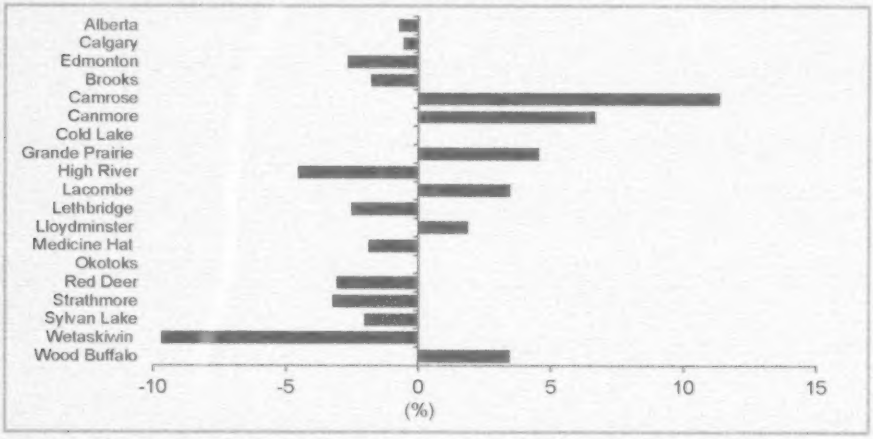
Chart 1: Sales begin to stabilize as new listings increase

Alberta existing home sales, new listings and sales-to-new-listings ratio

Source: Canadian Real Estate Association

Chart 2: First decline in EI beneficiaries since June 2014

Month-over-month percent change in EI beneficiaries by municipality



Source: Statistics Canada

Employment Insurance

Little relief in EI use

The number of workers on Employment Insurance (EI) fell in June, but remains elevated after spiking in May. There were 30,260 new EI claims received in June, the ninth straight month with new claims topping thirty thousand. The number of people receiving regular benefits fell 0.8% m/m (Chart 2) to 77,190 regular EI beneficiaries, the first decline in two years. Despite the small reduction, the number EI beneficiaries was still very high in most regions, especially Wood Buffalo-Cold Lake in the wake of the wildfires. Calgary and Edmonton each accounted for about thirty per cent of recipients. Due to the weak job market, 3.1% of Alberta's labour force were receiving EI benefits.

Consumer Price Index

Price pressures petering out

Inflation in Alberta continued to dissipate in July, with consumer prices up a mere 0.7% y/y. The soft housing market has deflated shelter costs, especially for rent (-1.9% y/y). Moreover, low natural gas and coal prices have significantly cut the cost of electricity (-12% y/y). Fresh fruit (1.6% y/y), vegetables (0.8% y/y) and seafood (0.9% y/y) prices have all waned as the impact of the weak Loonie on the cost

of imported foods recedes. Meat product prices have also waned (-0.3% y/y). Sluggish retail sales activity is weighing on prices for discretionary consumer items like furniture (+2.3% y/y), apparel and footwear (-1.6% y/y), recreational equipment (-3.6% y/y) and travel accommodations (-11% y/y), as businesses mark down their merchandise. Energy prices (-11% y/y) continued to be drag on inflation as gasoline prices plummeted 14% y/y, halting several months of hitherto firming prices.

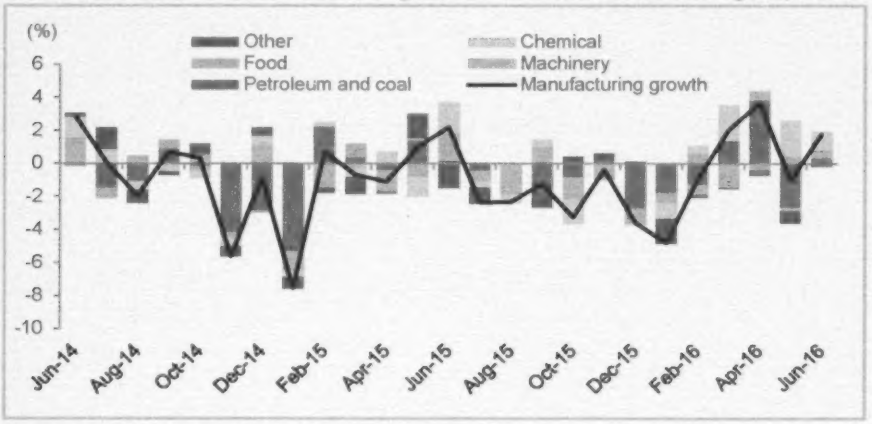
Supply and Disposition of Crude Oil

Oil production way down due to wildfire disruption

Alberta produced 2.0 million barrels of oil per day in May, the lowest level since June 2011. Moreover, the drop in production led to a sizable drawing down of available inventories. On a year-over-year basis, production was down by a whopping 18.4%. The drop-off was largely due to the shutdown and evacuation of several oil sands facilities during the wildfires, which pushed non-conventional production down 21% y/y. Production of heavy (-14% y/y), as well as light and medium oil (-19% y/y) was also down. In contrast, condensate production has boomed (158% y/y) since an initial surge in March.

Chart 3: Non-durable goods support uptick in shipments

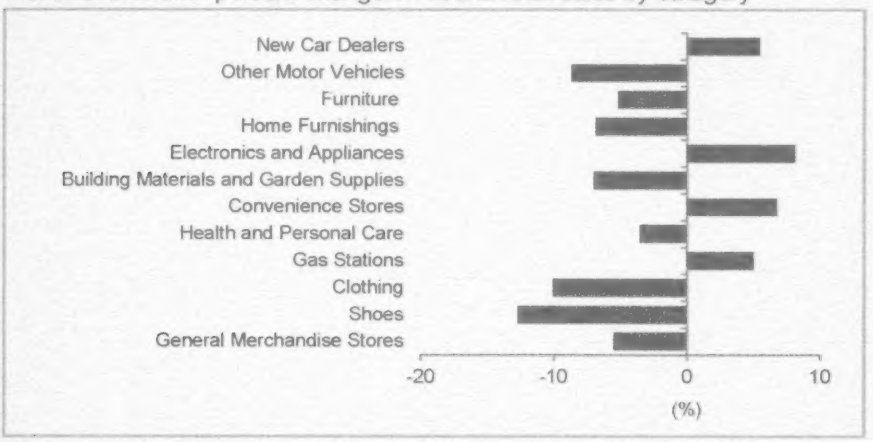
Contributions to month-over-month growth in Alberta manufacturing shipments



Source: Statistics Canada

Chart 4: Tough economy sees Albertans cut back on spending

Month-over-month percent change in Alberta retail sales by catagory



Sources: Statistics Canada and Haver Analytics (Seasonal Adjustment)

Manufacturing Shipments

Shipments still weak despite gain

The value of manufacturing shipments increased to $5.2 billion in June, up 1.8% m/m (Chart 3). This increase was primarily due to an uptick in the value of non-durable goods (2.2% m/m), driven by increases in shipments of food (1.6% m/m), petroleum and coal (4.9% m/m) and chemicals (1.7% m/m). However, the monthly uptick was insufficient to offset prior weakness. Manufacturing shipments remain down 12% compared with last year, suppressed by relatively weak petroleum and coal (-27% y/y), machinery (-49% y/y), and non-metallic mineral products shipments (-27% y/y).

Retail Sales

Albertans constrain their spending

Alberta retail sales fell to $6.1 billion in June, down 0.4% m/m (Chart 4). Sales declined significantly for several categories including building materials and supplies (-3.5% m/m) and furniture and home furnishing stores (-0.8% m/m). Clothing and accessories (-1.5% m/m), sporting goods, books and movies (-0.5% m/m), and general merchandise stores (-1.2% m/m) also experienced a drop in sales as Albertans look to trim spending on discretionary items. Sales were up for a fourth straight month for gas station (+2.6% m/m), after bottoming out in February.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.